

**Brunswick Rail Limited and its subsidiary  
companies**

**Interim Condensed Consolidated Financial  
Information for the three months ended  
31 March 2017**

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**Interim Condensed Consolidated Income Statement  
for the three months ended 31 March 2017**

	Note	31 March 2017 US\$000	31 March 2016 US\$000
<b>Revenue</b>	5	<b>33.095</b>	27.236
Cost of services	6	<b>(7.714)</b>	(5.618)
Property tax		<b>(1.359)</b>	(1.346)
Staff compensation, excluding share-based compensation		<b>(1.569)</b>	(1.458)
Other operating expenses	7	<b>(1.993)</b>	(1.935)
Other operating income		<b>8</b>	144
<b>Operating profit before depreciation</b>		<b>20.468</b>	17.023
Depreciation and amortisation	10	<b>(7.216)</b>	(4.705)
<b>Operating profit</b>		<b>13.252</b>	12.318
Finance costs	8	<b>(15.339)</b>	(16.428)
Expenses related to finance restructuring	11	<b>(2.045)</b>	-
Finance income	8	<b>1.098</b>	1.270
Net foreign exchange gains	15	<b>51.556</b>	50.467
<b>Profit before income tax</b>		<b>48.522</b>	47.627
Income tax credit/(expense)	9	<b>220</b>	(3.748)
<b>Profit for the period attributable to the owners of the Company</b>		<b>48.742</b>	43.879

The notes on pages 7 to 18 are an integral part of the interim condensed consolidated financial information.

## Interim Condensed Consolidated Statement of Comprehensive Income for the three months ended 31 March 2017

	Note	31 March 2017 US\$000	31 March 2016 US\$000
<b>Profit for the period</b>		<u>48.742</u>	<u>43.879</u>
<b>Other comprehensive loss:</b> <i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences	14	<u>(14.969)</u>	<u>(22.778)</u>
<b>Total items that may be reclassified subsequently to profit or loss</b>		<u>(14.969)</u>	<u>(22.778)</u>
<b>Other comprehensive loss for the period, net of tax</b>		<u>(14.969)</u>	<u>(22.778)</u>
<b>Total comprehensive income for the period</b>		<u><u>33.773</u></u>	<u><u>21.101</u></u>
<b>Attributable to:</b> Owners of the Company		<u><u>33.773</u></u>	<u><u>21.101</u></u>

Items in the statement above are disclosed net of tax.

The notes on pages 7 to 18 are an integral part of the interim condensed consolidated financial information.

## Interim Condensed Consolidated Balance Sheet as at 31 March 2017

	Note	31 March 2017 US\$000	31 December 2016 US\$000
<b>Assets</b>			
<b>Non-current assets</b>			
Equipment	10	423.001	398.464
Deferred income tax asset		54.348	49.478
Other non-current assets	11	7.887	7.219
		<u>485.236</u>	<u>455.161</u>
<b>Current assets</b>			
VAT recoverable		623	681
Advances paid for rail tariffs		545	833
Trade and other receivables	12	11.361	8.841
Finance leases receivable		170	386
Current income tax prepayment		188	189
Cash and cash equivalents		63.155	53.718
		<u>76.042</u>	<u>64.648</u>
<b>Total assets</b>		<u><b>561.278</b></u>	<u><b>519.809</b></u>
<b>Equity deficit and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	13	245.875	245.875
Share premium	13	148.967	148.967
Treasury shares	13	(12.199)	(12.199)
Other reserves	14	(259.497)	(244.528)
Accumulated losses		(319.654)	(368.396)
<b>Total equity deficit</b>		<u><b>(196.508)</b></u>	<u><b>(230.281)</b></u>
<b>Non-current liabilities</b>			
Borrowings	15	1.326	1.321
Mezzanine	19	104.065	100.349
		<u>105.391</u>	<u>101.670</u>
<b>Current liabilities</b>			
Trade and other payables	16	7.999	7.301
Current income tax liabilities		120	18
VAT payable		2.400	2.836
Other taxes payable		1.419	1.405
Borrowings	15	640.457	636.860
		<u>652.395</u>	<u>648.420</u>
<b>Total liabilities</b>		<u><b>757.786</b></u>	<u><b>750.090</b></u>
<b>Total equity deficit and liabilities</b>		<u><b>561.278</b></u>	<u><b>519.809</b></u>

The notes on pages 7 to 18 are an integral part of the interim condensed consolidated financial information.

## Interim Condensed Consolidated Statement of Changes in Equity for the three months ended 31 March 2017

		Attributable to owners of the Company			
	Note	Share capital/ share premium/ treasury shares US\$000	Other reserves US\$000	Accumulated losses US\$000	Total US\$000
<b>Balance at 1 January 2016</b>		<b>380.576</b>	<b>(193.399)</b>	<b>(489.049)</b>	<b>(301.872)</b>
<b>Comprehensive income:</b>					
Profit for the period		-	-	43.879	43.879
Total other comprehensive loss		-	(22.778)	-	(22.778)
<b>Total comprehensive (loss)/income</b>		<b>-</b>	<b>(22.778)</b>	<b>43.879</b>	<b>21.101</b>
<b>Transactions with owners</b>					
Amendment in reallocation of former CEO's loan	13	145	-	-	145
<b>Total contribution from and distribution to owners of the Company</b>		<b>145</b>	<b>-</b>	<b>-</b>	<b>145</b>
<b>Balance at 31 March 2016</b>		<b>380.721</b>	<b>(216.177)</b>	<b>(445.170)</b>	<b>(280.626)</b>
<b>Balance at 1 January 2017</b>		<b>382.643</b>	<b>(244.528)</b>	<b>(368.396)</b>	<b>(230.281)</b>
<b>Comprehensive income:</b>					
Profit for the period		-	-	48.742	48.742
Total other comprehensive loss		-	(14.969)	-	(14.969)
<b>Total comprehensive (loss)/income</b>		<b>-</b>	<b>(14.969)</b>	<b>48.742</b>	<b>33.773</b>
<b>Balance at 31 March 2017</b>		<b>382.643</b>	<b>(259.497)</b>	<b>(319.654)</b>	<b>(196.508)</b>

The notes on pages 7 to 18 are an integral part of the interim condensed consolidated financial information.

## Interim Condensed Consolidated Statement of Cash Flows for the three months ended 31 March 2017

	Note	Three months ended	
		31 March 2017 US\$000	31 March 2016 US\$000
<b>Cash flows from operating activities</b>			
Profit before income tax		48.522	47.627
Adjustments for:			
Depreciation and amortisation	10	7.216	4.705
Provision for bad debts	7	909	874
Profit on disposal of assets		(6)	(158)
Finance income	8	(1.098)	(1.270)
Finance costs	8	15.339	16.428
Net foreign exchange gains		(51.556)	(50.467)
Expenses related to finance restructuring	11	2.045	-
		<u>21.371</u>	<u>17.739</u>
Changes in working capital:			
Trade and other receivables		(2.278)	(502)
Finance leases receivable		216	497
Trade and other payables		478	68
Taxes payable other than income tax and VAT		(93)	(273)
VAT received, net		1.297	224
		<u>20.991</u>	<u>17.753</u>
<b>Cash generated from operations</b>		<u>20.991</u>	<u>17.753</u>
Income tax paid		(45)	(14)
		<u>20.946</u>	<u>17.739</u>
<b>Net cash generated by operating activities</b>		<u>20.946</u>	<u>17.739</u>
<b>Cash flows from investing activities</b>			
Purchase of other tangible assets		(3)	(1)
Purchase of wheelsets		(2.338)	(820)
VAT paid on purchase of wheel sets		(421)	(148)
Proceeds from disposal of assets		189	415
Interest received		1.153	1.289
		<u>(1.420)</u>	<u>735</u>
<b>Net cash (used in)/from investing activities</b>		<u>(1.420)</u>	<u>735</u>
<b>Cash flows from financing activities</b>			
Repayments of bank and other borrowings	15	-	(51.677)
Interest paid on borrowings and other bank charges		(1.450)	(3.363)
Finance restructuring costs <sup>1</sup>	11	(1.673)	(1.423)
Proceeds from sale and lease back transaction, incl. VAT	15	-	50.969
Finance leases liabilities – principal repayments		(8.783)	(3.757)
VAT paid on finance lease liabilities		(1.839)	(1.022)
		<u>(13.745)</u>	<u>(10.273)</u>
<b>Net cash used in financing activities</b>		<u>(13.745)</u>	<u>(10.273)</u>
<b>Net increase in cash and cash equivalents</b>		<u>5.781</u>	<u>8.201</u>
<b>Cash and cash equivalents at beginning of the period</b>		<u>53.718</u>	<u>67.315</u>
Exchange gains on cash and cash equivalents		3.656	1.642
		<u>63.155</u>	<u>77.158</u>
<b>Cash and cash equivalents at end of the period</b>		<u>63.155</u>	<u>77.158</u>

<sup>1</sup> Costs include amounts paid to legal and financial advisers.

The notes on pages 7 to 18 are an integral part of the interim condensed consolidated financial information.

## Notes to the interim condensed consolidated financial information

### 1. General information

#### Introduction

The interim condensed consolidated financial information is prepared by consolidating the standalone financial information of Brunswick Rail Limited (the “Company”) and its subsidiaries (the “Group”), for the three months ended 31 March 2017.

#### Country of incorporation

The Company is incorporated in Bermuda as a private limited liability company in accordance with the provisions of section 14 of the Companies Act 1981. Its registered office is at Wessex House, 2<sup>nd</sup> Floor, 45 Reid Street, Hamilton HM 12, Bermuda.

#### Principal activities

The Group’s principal activity is leasing of railcars and transportation services in the “1520 gauge territory” (the railway territory of Russian Federation and CIS).

### 2. Basis for preparation

#### (a) Statement of compliance

This interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”).

This interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2016 prepared in accordance with International Financial Reporting Standards (“IFRS”), such as accounting policies and details of accounts which have not changed significantly in amount or composition.

The interim condensed consolidated financial information has been prepared under the historical cost convention. Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”) which is the Russian Rouble (“RUB”). The interim condensed consolidated financial information is presented in US Dollars (“USD”) which is the Group’s presentation currency as this is the currency considered most appropriate by the Group’s investors.

The preparation of financial information in conformity with IAS 34 requires the use of certain critical accounting estimates and requires Management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 4.

#### (b) Going concern

During Q1 2017, the railcar leasing market environment continued to show signs of improvement and stabilization. The spot rates for gondolas improved from ca. 850 RUB/day at the end of 2016, to ca. 1,100 - 1,200 RUB/day at the end of the period mainly driven by seasonal increase of transportation volumes in spring, continuously high level of coal prices and short-term shortage of gondolas. Scrappings for gondolas in 2017 is expected at ca. 15.000 railcars, while the production is expected at ca. 35.000 railcars. Respectively, the short-term shortage for gondolas might decrease even if the transportation volumes remain at the same level leading to an excess of gondolas at the market with the related risk of the lease rate downward trend. The rates for certain specialized railcars, such as oil tanks and gas tanks remained severely depressed.

The Group generated a net profit for the three months ended 31 March 2017 of approximately US\$48.7 million compared to a profit of approximately US\$43.9 million in the corresponding period in 2016.

Adjusted EBITDA for the three months ended 31 March 2017 was approximately US\$20.7 million, ca. 21.7 percent higher than the corresponding period in 2016. This was primarily a result of the lower average exchange rate of USD to RUB for the period (RUB 58.84 for 1 USD in Q1 2017 compared to RUB 74.63 for 1 USD in Q1 2016).



### 2. Basis for preparation (continued)

#### (b) Going concern (continued)

Despite recent positive developments, the Group's ability to sustain its current capital structure, including the ability to maintain significant US dollar denominated debt at current levels and maturities, remains impaired. In particular, the Group is not expected to generate sufficient cash flows to repay its US\$600,000,000 6.5% Guaranteed Notes (the "Notes") at their November 2017 maturity.

Negotiations with an ad hoc committee of holders of the Notes, which represent approximately 50% of the Notes, took place in 2016 but no agreement was reached on the terms of a restructuring of the Notes.

On 19 April 2017, the Company was informed that Amalgam Rail Investment Ltd. had acquired 100% of the Company's issued share capital. The Company believes that a change of control has occurred under the terms of the trust deed dated 1st November 2012.

The terms of the Notes require the Issuer, Brunswick Rail Finance Designated Activity Company (Ireland), to make an offer to each holder of Notes, within 30 calendar days of becoming aware of a change of control, to redeem all or any part of its Notes at 101% of their principal amount together with accrued and unpaid interest.

The Company is continuing to pursue a restructuring of its Notes. If the Company is ultimately unable to reach agreement with the holders of the Notes for a restructuring, it will be required to consider alternatives to a voluntary restructuring, including the option of initiating a liquidation process.

### 3. Accounting policies

The accounting policies and methods of computation adopted in the preparation of this interim condensed consolidated financial information are consistent with those applied in preparation of the annual consolidated financial statements for the year ended 31 December 2016 as described therein.

#### Adoption of New or Revised Standards and Interpretations

In the current period, the following new and revised Standards and Interpretations have been adopted and where applicable, have affected the amounts reported in this interim condensed consolidated financial information:

- *Amendments to IFRS 11 – Accounting for Acquisition of Interests in Joint Operations;*
- *Amendments to IAS 1 – Disclosure Initiative;*
- *Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation;*
- *Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants;*
- *Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception;*
- *IFRS 14 Regulatory Deferral Accounts;*
- *Amendments to IAS 27 – Equity Method in Separate Financial Statements;*
- *Annual Improvements to IFRSs 2012-2014 Cycle.*

The adoption of these new and revised standards and interpretations did not have a significant effect on the Group's interim condensed consolidated financial information.

#### New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 *Financial Instruments*<sup>2</sup>;
- IFRS 15 *Revenue from Contracts with Customers*<sup>2</sup>;
- IFRS 16 *Leases*<sup>3</sup>
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*<sup>2</sup>;
- IFRS 2 – *Classification and Measurement of Share-based Payment Transactions*<sup>2</sup>;
- Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*<sup>4</sup>;
- Amendments to IAS 12 – *Recognition of Deferred Tax Assets for Unrealized Losses*<sup>1</sup>;
- Amendments to IAS 7 – *Disclosure Initiative*<sup>1</sup>;
- Amendments to IAS 40 – *Transfers of Investment Property*<sup>2</sup>;
- Amendments to IFRS 4 – *Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'*<sup>1</sup>;
- Clarifications to IFRS 15 *Revenue from Contracts with Customers*<sup>2</sup>.
- Annual improvements to IFRSs 2014-2016 Cycle<sup>5</sup>.

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

<sup>4</sup> The amendment was initially issued in September 2014 with an effective date of 1 January 2016. In December 2015, the IASB deferred the effective date of the amendments indefinitely until the research project on the equity method has been concluded.

<sup>5</sup> Depending on the amendment, effective for annual periods beginning on or after 1 January 2017 or 2018.

Early adoption is permitted for all new or amended standards and interpretations. IFRS 16 can be early adopted if IFRS 15 Revenue from Contracts with Customers has also been applied.

Management is currently considering the potential impact of the adoption of these standards and amendments. However, it is not practicable to provide a reasonable estimate of their effect until a detailed review has been completed.

### 4. Critical accounting estimates and judgements

The preparation of interim condensed consolidated financial information requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial information, the significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2016.

### 5. Revenue

	Three months ended	
	31 March 2017 US\$000	31 March 2016 US\$000
Full service operating leases	23.149	16.247
Transportation services income	5.538	5.157
Triple-net operating leases	4.394	5.606
Finance leases	14	226
<b>Total external revenue</b>	<b>33.095</b>	<b>27.236</b>

The revenue for the three month period ended 31 March 2017 increased compared to the prior corresponding period, primarily driven by the lower average exchange rate of USD to RUB for the period (RUB 58.84 for 1 USD compared to RUB 74.63 for 1 USD in 2016).

Total revenue in RUB terms decreased by ca. 4 percent compared to the prior corresponding period.

The decrease was primarily attributable to a decrease in transportation services income as a result of a lower weighted average number of railcars deployed in transportation business compared to 2016, despite the substantially higher average gross transportation rates earned during the period (2017: 1.972 railcars at gross rate of RUB 1,832/day vs 2016: 4.332 railcars at gross rate of RUB 975/day).

Operating lease income in RUB terms slightly decreased compared to the prior corresponding period, driven by changes in the clients mix and contract terms. Revenue from triple-net operating leases decreased as certain triple-net contracts expired and all new contracts have been concluded on full-service basis.

### 6. Cost of services

	Three months ended	
	31 March 2017 US\$000	31 March 2016 US\$000
Railcar repair costs	5.057	2.715
Other transportation services expenses	1.894	2.577
Other railcar expenses	680	278
Transportation services subcontracted	50	3
Railcar insurance	33	45
<b>Total cost of services</b>	<b>7.714</b>	<b>5.618</b>

The increase in the cost of services was primarily due to the effect of a lower average exchange rate of USD to RUB during the first three months of 2017 (RUB 58.84 for 1 USD compared to RUB 74.63 for 1 USD in 2016).

Cost of services in RUB terms increased by ca. 8 percent compared to the prior corresponding period. The increase was attributable to (i) an increase in railcar repair costs (including depot, capital and current repairs) and (ii) an increase in other railcar expenses. The increase was partially offset by lower other transportation services expenses.

The overall higher railcar repair costs are attributable to: (i) an increase of ca. 11% in the total number of depot, capital and current repairs which took place during the current period (4,916 in Q1 2017 vs 4,428 in Q1 2016), (ii) an increase in average railcar repair costs in RUB terms of ca. 22% compared to the corresponding period last year, and (iii) the higher cost of spare parts used in the repairs. The decrease in other transportation services expenses represents mainly a decrease in rail tariffs for empty-run driven by the lower weighted average number of railcars deployed in transportation business during the period compared to 2016 (Q1 2017: 1.972 railcars vs Q1 2016: 4.332 railcars).

The increase in other railcar expenses is primarily attributable to higher transportation costs incurred during the period, remarketing of railcars and moving railcars to and from clients.

**7. Other operating expenses**

	Three months ended	
	31 March 2017 US\$000	31 March 2016 S\$000
Provision for bad debts (Note 12)	909	874
Legal and other professional fees	459	217
Rent and related expenses	193	268
Auditor's remuneration	102	104
Directors' fees and expenses (Note 19)	93	216
Consultancy fees	83	25
Other operating expenses	63	63
Travelling, accommodation and entertainment	48	116
Information technology costs	28	28
Communication costs	10	11
Advertising and marketing	5	13
<b>Total other operating expenses</b>	<b>1,993</b>	<b>1,935</b>

**8. Finance costs and income**

	Three months ended	
	31 March 2017 US\$000	31 March 2016 US\$000
<b>Finance costs</b>		
Interest expenses – Notes	10,232	10,124
Interest expenses – mezzanine facility	3,672	3,122
Interest expenses – finance lease payables	1,422	1,867
Other borrowing costs	-	269
Interest expenses – syndicated bank loans	-	1,019
	<b>15,326</b>	<b>16,401</b>
Bank charges	13	27
	<b>15,339</b>	<b>16,428</b>
<b>Finance income</b>		
Interest income on bank balances and other interest income	(1,098)	(1,270)
	<b>(1,098)</b>	<b>(1,270)</b>
<b>Net finance costs</b>	<b>14,241</b>	<b>15,158</b>

**9. Income tax expense**

Interim period income tax is based on actual results for the period ended 31 March 2017. The interim period income tax for the corresponding period last year was based on the estimated average annual effective income tax rate of 8.0 per cent.

As at 31 March 2017, it is estimated that none of the Group's subsidiaries have contingent tax liabilities arising from exposure other than remote tax risks (as at 31 December 2016: none).

**10. Equipment**

	Railcars US\$000	Furniture, fittings & office equipment US\$000	Total US\$000
<b>As at 1 January 2016</b>			
Cost	634.485	521	<b>635.006</b>
Accumulated depreciation and impairment losses	(332.095)	(352)	<b>(332.447)</b>
<b>Net book amount</b>	<b>302.390</b>	<b>169</b>	<b>302.559</b>
<b>Three-month period ended 31 March 2016</b>			
Opening net book amount	302.390	169	<b>302.559</b>
Additions	4.507	1	<b>4.508</b>
Disposals / retirement of assets	(1.500)	(1)	<b>(1.501)</b>
Depreciation charge	(4.676)	(22)	<b>(4.698)</b>
Depreciation on disposal	712	-	<b>712</b>
Exchange differences on cost	49.819	41	<b>49.860</b>
Exchange differences on depreciation	(26.326)	(30)	<b>(26.356)</b>
Closing net book amount	<b>324.926</b>	<b>158</b>	<b>325.084</b>
<b>As at 31 March 2016</b>			
Cost	687.311	562	<b>687.873</b>
Accumulated depreciation and impairment losses	(362.385)	(404)	<b>(362.789)</b>
<b>Net book amount</b>	<b>324.926</b>	<b>158</b>	<b>325.084</b>
<b>As at 1 January 2017</b>			
Cost	766.980	588	<b>767.568</b>
Accumulated depreciation and impairment losses	(368.701)	(473)	<b>(369.174)</b>
<b>Net book amount</b>	<b>398.279</b>	<b>115</b>	<b>398.394</b>
<b>Three-month period ended 31 March 2017</b>			
Opening net book amount	398.279	115	<b>398.394</b>
Additions	2.891	3	<b>2.894</b>
Disposals / retirement of assets	(2.467)	-	<b>(2.467)</b>
Depreciation charge	(7.191)	(15)	<b>(7.206)</b>
Depreciation on disposal	1.319	-	<b>1.319</b>
Exchange differences on cost	58.229	45	<b>58.274</b>
Exchange differences on depreciation	(28.236)	(37)	<b>(28.273)</b>
Closing net book amount	<b>422.824</b>	<b>111</b>	<b>422.935</b>
<b>As at 31 March 2017</b>			
Cost	825.633	636	<b>826.269</b>
Accumulated depreciation and impairment losses	(402.809)	(525)	<b>(403.334)</b>
<b>Net book amount</b>	<b>422.824</b>	<b>111</b>	<b>422.935</b>

During the three months ended 31 March 2017 the Group's fleet decreased by 5 railcars. Equipment includes 25.610 railcars (31 December 2016: 25.615 railcars), which are held by the Group subsidiary companies.

Out of the total equipment, 22.833 railcars (31 December 2016: 23.337 railcars) are leased out under operating leases and short-term rentals, 2.311 railcars (31 December 2016: 2.168 railcars) are used for shipments of coal, metals and other freights and 466 railcars (31 December 2016: 110 railcars) are parked and idle.

### 11. Expenses related to finance restructuring

During the three months ended 31 March 2017 Management expensed certain costs in the amount of US\$2.045 thousand that related to the finance restructuring project.

Certain costs paid in the amount of US\$225 thousand, relating to extending the initial availability period of the VTB facility, have been capitalised and included within 'Other non-current assets' as of 31 March 2017.

Depending upon the final form of any restructuring transaction achieved, any costs capitalized that are found to be non-directly attributable to the specific transaction will be expensed in profit or loss in future periods.

	<b>31 March 2017 US\$000</b>	31 December 2016 US\$000
<b>Finance restructuring expenses</b>		
Balance at beginning of period/year	7.070	4.474
Capitalised / paid during the period/year	2.439	14.131
Expensed during the period/year	(2.045)	(10.273)
Reclassified to equity	-	(1.771)
Currency translation differences	423	509
	<u>7.887</u>	<u>7.070</u>
<b>Non-current trade receivables</b>		
Balance at beginning of period/year	149	-
Recognised during the period/year	-	149
Provided for during the period/year	(149)	-
	<u>7.887</u>	<u>7.219</u>
	=====	=====

### 12. Trade and other receivables

	<b>31 March 2017 US\$000</b>	31 December 2016 US\$000
Operating lease income receivables	6.242	3.802
Other receivables and prepayments	2.633	2.592
Transportation income receivables	2.486	2.447
	<u>11.361</u>	<u>8.841</u>
	=====	=====

Other than the debtor balances for which a specific provision for impairment of receivables was recognized at an amount of US\$20.943 thousand (31 December 2016: US\$18.645 thousand) no other trade and other receivables balance is considered to be impaired.

### 13. Share capital, share premium and treasury shares

	<b>31 March 2017 US\$000</b>	31 December 2016 US\$000
Share capital	245.875	245.875
Share premium	148.967	148.967
Treasury shares	(12.199)	(12.199)
	<u>382.643</u>	<u>382.643</u>
	=====	=====

**13. Share capital, share premium and treasury shares (continued)**

**Ordinary share capital**

	Number of shares	Share capital US\$000	Share premium US\$000	Treasury shares US\$000	Total US\$000
<b>At 1 January 2016</b>	<b>204.088.504</b>	<b>212.198</b>	<b>123.602</b>	<b>(12.199)</b>	<b>323.601</b>
Amendment in reallocation of former CEO's loan	63.439	-	145	-	145
<b>At 31 March 2016</b>	<b>204.151.943</b>	<b>212.198</b>	<b>123.747</b>	<b>(12.199)</b>	<b>323.746</b>
<b>At 1 January 2017 and 31 March 2017</b>	<b>237.828.825</b>	<b>245.875</b>	<b>148.967</b>	<b>(12.199)</b>	<b>382.643</b>

**14. Other reserves**

	Translation reserve US\$000	Share-based compensation reserve US\$000	Share swap reserve US\$000	Total US\$000
<b>Balance at 1 January 2016</b>	<b>(138.987)</b>	<b>3.016</b>	<b>(57.428)</b>	<b>(193.399)</b>
Currency translation differences	(22.778)	-	-	(22.778)
<b>Balance at 31 March 2016</b>	<b>(161.765)</b>	<b>3.016</b>	<b>(57.428)</b>	<b>(216.177)</b>
<b>Balance at 1 January 2017</b>	<b>(190.116)</b>	<b>3.016</b>	<b>(57.428)</b>	<b>(244.528)</b>
Currency translation differences	(14.969)	-	-	(14.969)
<b>Balance at 31 March 2017</b>	<b>(205.085)</b>	<b>3.016</b>	<b>(57.428)</b>	<b>(259.497)</b>

**15. Borrowings**

	<b>31 March 2017 US\$000</b>	31 December 2016 US\$000
<b>Non-current borrowings</b>		
Finance lease payables	<b>1.326</b>	1.321
	<b>1.326</b>	1.321
<b>Current borrowings</b>		
Notes	<b>613.874</b>	603.519
Finance lease payables	<b>23.243</b>	30.001
Other borrowings	<b>3.340</b>	3.340
	<b>640.457</b>	636.860
<b>Total borrowings</b>	<b>641.783</b>	638.181
<u>Finance lease liabilities</u>		
	<b>31 March 2017 US\$000</b>	31 December 2016 US\$000
<b>Maturity of non-current liabilities from finance leases</b>		
Later than 1 year and not later than 3 years	<b>903</b>	807
Later than 3 years and not later than 5 years	<b>423</b>	514
	<b>1.326</b>	1.321

The fair values of finance lease payables and other borrowings approximate their carrying value at the balance sheet date. The fair value of the Notes amounts to US\$438.4 million and is based on the bond price on 31 March 2017 obtained from Bloomberg financial data service. The Notes are denominated in USD.

As a result of the RUB appreciation against the USD during the three-month period ended 31 March 2017, net foreign exchange gains in the amount of US\$51.6 million were recognized in the interim condensed consolidated income statement, mostly attributable to the USD-denominated borrowings.



### 15. Borrowings (continued)

#### VTB facility agreement

The VTB facility has not been utilised by the date of this report, the availability period is till the end of June 2017.

### 16. Trade and other payables

	<b>31 March 2017 US\$000</b>	31 December 2016 US\$000
Trade payables and accrued expenses	<b>6.397</b>	5.329
Advances from customers	<b>1.602</b>	1.972
	<b>7.999</b>	7.301

### 17. Contingencies, commitments and operating risks

#### Operating Environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas in the world market. During 2014 and 2015, the oil price decreased significantly, which led to a substantial decrease in the Russian Ruble exchange rate against US dollars.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. (among others) on certain Russian officials, businessmen and companies. In the first quarter of 2015, two international credit agencies downgraded Russia's long-term foreign currency sovereign rating to the speculative level with the negative outlook. The outlook on Russia's long-term foreign currency sovereign rating has since been changed to 'stable'.

The above mentioned events have led to reduced access of Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and the financial position of the Group is at this stage difficult to determine.

### 18. Operating lease commitments

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	<b>31 March 2017 US\$000</b>	31 December 2016 US\$000
Not later than 1 year	4.149	5.011
Later than 1 year but not later than 5 years	<u>1.322</u>	<u>1.585</u>
	<u><b>5.471</b></u>	<u><b>6.596</b></u>

The Group leases out all railcars under operating lease arrangements for a period of 1 – 5 years.

The future aggregate total rentals receivable under cancellable operating leases, excluding fines for early termination, are as follows:

	<b>31 March 2017 US\$000</b>	31 December 2016 US\$000
Not later than 1 year	86.673	87.215
Later than 1 year but not later than 5 years	65.447	71.453
Later than 5 years	<u>4</u>	<u>92</u>
	<u><b>152.124</b></u>	<u><b>158.760</b></u>

### 19. Related party transactions

The Company is controlled by Amalgam Rail Investments Ltd, incorporated in the British Virgin Islands, which as of 20 April 2017 owns 100% of the Company's shares.

Transactions with related parties are as follows:

#### Key management compensation

	<b>Three months ended</b>	
	<b>31 March 2017 US\$000</b>	31 March 2016 US\$000
Salaries and other benefits	635	675
Directors' fees and expenses (Note 7)	93	216
Bonuses	<u>5</u>	<u>4</u>
	<u><b>733</b></u>	<u><b>895</b></u>

#### Mezzanine credit facility

	<b>For the three month period ended 31 March 2017 US\$000</b>	For the year ended 31 December 2016 US\$000
Balance at beginning of period/year	100.349	86.768
Interest accrued	3.772	13.422
Unamortized borrowing costs under the effective interest method	(100)	34
Currency translation differences	<u>44</u>	<u>125</u>
<b>Balance at end of period/year</b>	<u><b>104.065</b></u>	<u><b>100.349</b></u>

The fair value of the mezzanine credit facility approximates the carrying amount of the instrument at the balance sheet date.

**20. Non-IFRS measures (unreviewed)**

The table below represents a reconciliation of the IFRS profit or loss for the periods ended 31 March 2017 and 2016 to adjusted EBITDA, which is not defined by IFRS, and used by Management for decision-making purposes as part of the analysis of the Group's results:

	<b>Three months ended</b>	
	<b>31 March 2017 US\$000</b>	<b>31 March 2016 US\$000</b>
<b>Profit for the period</b>	<b>48.742</b>	43.879
plus/(minus):		
Income tax (credit)/expense	<b>(220)</b>	3.748
Net foreign exchange gains	<b>(51.556)</b>	(50.467)
Finance income	<b>(1.098)</b>	(1.270)
Finance costs	<b>15.339</b>	16.428
Depreciation and amortisation	<b>7.216</b>	4.705
Expenses related to finance restructuring	<b>2.045</b>	-
Professional services related to litigation process with former employees	<b>259</b>	-
<b>Adjusted EBITDA</b>	<b>20.727</b>	<b>17.023</b>

**21. Events after the balance sheet date**

On 19 April 2017, the Company was informed that Amalgam Rail Investments Ltd. had acquired 100% of the Company's issued share capital. The Company believes that a change of control has occurred under the terms of the trust deed dated 1st November 2012.

On 20 April 2017, Mr Vladimir Lelekov and Mr Ilya Belyaev were appointed on the Board. Mr Martin Andersson, Mr Gerard De Geer, Mr Charles Ryan and Mr Marlen Manasov resigned on the same day. Mr Aaron Rubin resigned from the Board on 2 May 2017. Mr Vladimir Lelekov was appointed as Chairman of the Board on 26 April 2017.